

**SEDGWICK COUNTY AREA EDUCATIONAL
SERVICES INTERLOCAL COOPERATIVE
GODDARD, KANSAS**

**FINANCIAL STATEMENT
JUNE 30, 2018**

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**SEDGWICK COUNTY AREA EDUCATIONAL
SERVICES INTERLOCAL COOPERATIVE
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JUNE 30, 2018**

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BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors

**Sedgwick County Area Educational Services Interlocal Cooperative
Goddard, Kansas**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of and for the year ended **June 30, 2018**, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Sedgwick County Area Educational Services Interlocal Cooperative

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 1 of the financial statement, the financial statement is prepared by **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of **June 30, 2018**, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of **June 30, 2018**, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and agency funds schedules of regulatory basis cash receipts and disbursements (Regulatory-Required Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement.

Board of Directors
Sedgwick County Area Educational Services Interlocal Cooperative

The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

The 2017 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual (as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2017 basic financial statement upon which we rendered an unmodified opinion dated December 6, 2017. The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the 2017 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**’, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**’ internal control over financial reporting and compliance.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
November 5, 2018

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018**

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Special Purpose Funds							
Capital Outlay	\$ 0	\$ 0	\$ 86,954	\$ 86,954	\$ 0	\$ 0	\$ 0
Professional Development	23,728	0	62,142	61,422	24,448	0	24,448
Special Education	4,443,812	0	33,283,807	33,606,994	4,120,625	0	4,120,625
Special Donation	3,308	0	0	0	3,308	0	3,308
ILC Activity	514	0	1,001	480	1,035	0	1,035
Trans-Net Activity	675	0	2	677	0	0	0
	<u>\$ 4,472,037</u>	<u>\$ 0</u>	<u>\$ 33,433,906</u>	<u>\$ 33,756,527</u>	<u>\$ 4,149,416</u>	<u>\$ 0</u>	<u>\$ 4,149,416</u>

Composition of Cash:

Checking and Money Market Accounts	\$ 4,392,563
Agency Funds	(243,147)
	<u>\$ 4,149,416</u>

The notes to the financial statement are an integral part of this statement.

SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018

Note 1 - Summary of Significant Accounting Policies:

Financial Reporting Entity

Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas, represents a cooperative established under State of Kansas statutes. The Cooperative was formed July 1, 1981, through an agreement of nine Kansas Unified School Districts (Burton, Cheney, Clearwater, Conway Springs, Goddard, Maize, Renwick, Sedgwick, and Valley Center) located in and around Sedgwick County, Kansas to meet special education requirements at the primary and secondary levels. The Cooperative is governed by a Board of Directors comprised of one member from each member district. The Cooperative's financial statement includes all funds over which the Board of Directors exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

KMAAG Regulatory Basis of Presentation Fund Definitions:

Special Purpose Funds-To account for the proceeds of specific receipts (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Agency Funds-To account for resources held in a trustee or agency capacity for others which therefore cannot be used to support the government's own programs.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally accepted in the United States of America

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Cooperative has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the regulatory basis of accounting.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

Budget and Assessment Cycle

The Cooperative prepares a budget under the Kansas cash-basis and budget laws to determine assessment to member districts and other financial planning purposes. Assessments are made in nine variable installments.

The Kansas cash-basis and budget laws permit transferring budgeted amounts between line items within an individual fund. However, such laws prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Cooperative for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for the following special purpose funds:

Special Donation Fund
Trans-Net Activity Fund

ILC Activity Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 2 - Defined Contribution Pension Plan:

The Cooperative provides pension benefits for all full-time certified/licensed employees through an Internal Revenue Code Section 403(b) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Cooperative contributes \$1,000 per employee per contract year and is prorated for employees who are employed less than a full contract year. Employees become vested at 10% following the sixth year of continuous employment. Vesting continues to increase by 15% each year until the employee is fully vested at the beginning of the 12th year of continuous employment with the Cooperative. The plan is administered by Security Benefit with oversight by the Cooperative Retirement Plan Oversight Committee which is comprised of three Board of Director appointees, three Special Services NEA appointees, and a representative of Security Benefit as an ex officio member.

Payments under the plan for the year ended June 30, 2018, were \$219,884.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

Note 3 - Compensated Absences:

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position and length of service.

It is the policy of the Cooperative to record vacation and sick leave benefits as expenditures when paid.

Note 4 - Defined Benefit Pension Plan:

Plan Description

The Cooperative participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of July 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended June 30, 2018.

The State of Kansas is required to contribute the statutory required employer's share. Since the Cooperative is considered a special funding situation, the Cooperative was not required to contribute amounts equal to the statutory contribution rate for the year ended June 30, 2018.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

Net Pension Liability

The Cooperative is considered a special funding situation. The state contributes 100% of the contractually required employer contributions. However, they do make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting net pension liability are attributable to the employer. At June 30, 2018, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was \$1,835,421. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The Cooperative's proportion of the net pension liability was based on the ratio of the Cooperative's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2017. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Note 5 - Contingencies:

Grant Programs

The Cooperative participates in various federal and state grant programs. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Risk Management

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Cooperative carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

Medicaid Payments

The Cooperative submits reports of time for providing medical services to children with disabilities to a third party. The third party reviews the reports and files claims for Medicaid reimbursement. Medicaid then pays the third party based on Medicaid's determination of allowed payment. The third party retains a percentage of the payment based on an agreement with the Cooperative and remits the remainder approximately monthly for the previous month's claims. Due to adjustments made by both the third party and Medicaid, the actual amount to be received by the Cooperative is undeterminable and has not been recorded. It will be recorded as received.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

Note 6 - Deposits:

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Cooperative has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Cooperative's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Cooperative has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2018.

At June 30, 2018, the Cooperative's carrying amount of deposits was \$4,392,563 and the bank balance was \$6,413,738. The bank balance is held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$6,163,738 was collateralized with securities held by the pledging financial institution's agent in the Cooperative's name.

Note 7 - Subsequent Events:

The Cooperative has evaluated subsequent events through November 5, 2018, the date which the financial statement was available to be issued.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

Note 8 - Early Retirement Benefits:

The Cooperative has an early retirement plan for certified personnel. Personnel qualify if they have fifteen years of service with the Cooperative and are 55 years of age. Payments under the plan are computed by subtracting the base beginning salary amount for a new certified person with no experience from the base salary of the retiree in the year the retiree applied for retirement. The difference is multiplied by a percentage ranging from 37.5% to 75% based on the age of the retiree. Certified personnel with the Cooperative during 2006-2007 chose the benefits under this plan or the Employer Paid Defined Contribution Plan created effective January 1, 2008.

It is the policy of the Cooperative to record these benefits as expenditures when paid. \$121,583 in payments were made for eleven retired employees during the year under the plan.

Note 9 - Postemployment Benefits:

As provided by K.S.A. 12-5040, the Cooperative allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

Note 10 - Lease Purchase:

The Cooperative entered into an lease purchase for a building in Mount Hope, Kansas on November 1, 2016, for \$600,000. In prior year funds, a portion of the funds were received and disbursed to pay for the acquisition of the building and to reimburse the Cooperative for building improvements during the year. The remaining funds held by Commerce Bank under an escrow agreement of \$113,406 were disbursed in the current year and used to pay for additional building costs.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2018**

Note 11 - Long-Term Debt:

Lease purchase payments are due monthly.

Terms for long-term liabilities for the Cooperative for the year ended June 30, 2018, were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final
Lease Purchase Agreement Mt Hope Building	2.58	11/1/16	\$ 600,000	4/1/23

Changes in long-term liabilities for the Cooperative for the year ended June 30, 2018, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Lease Purchase Agreement Mt Hope Building	\$ 534,826	\$ 0	\$ 87,127	\$ 447,699	\$ 12,773

Current maturities of long-term debt and interest for the next five years are as follows:

	Principal	Interest	Total Principal and
2019	\$ 81,863	\$ 9,712	\$ 91,575
2020	91,539	8,361	99,900
2021	93,929	5,971	99,900
2022	96,381	3,519	99,900
2023	83,987	1,013	85,000
	<u>\$ 447,699</u>	<u>\$ 28,576</u>	<u>\$ 476,275</u>

**REGULATORY REQUIRED
SUPPLEMENTARY INFORMATION**

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Special Purpose Funds					
Capital Outlay	\$ 87,509	\$ 0	\$ 87,509	\$ 86,954	\$ (555)
Professional Development	77,706	0	77,706	61,422	(16,284)
Special Education	38,618,993	0	38,618,993	33,606,994	(5,011,999)
Special Donation	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	0	XXXXXXXXXX
ILC Activity	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	480	XXXXXXXXXX
Trans-Net Activity	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	677	XXXXXXXXXX
	<u>\$ 38,784,208</u>	<u>\$ 0</u>	<u>\$ 38,784,208</u>	<u>\$ 33,756,527</u>	<u>\$ (5,028,838)</u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)**

<u>Capital Outlay Fund</u>	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources	\$ 110,996	\$ 86,954	\$ 87,509	\$ (555)
	<u>110,996</u>	<u>86,954</u>	<u>87,509</u>	<u>(555)</u>
Expenditures				
Facility Acquisition & Construction	110,996	86,954	\$ 87,509	\$ (555)
	<u>110,996</u>	<u>86,954</u>	<u>87,509</u>	<u>(555)</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>		

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)**

<u>Professional Development Fund</u>	<u>Current Year</u>			Variance - Over (Under)
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 66,755	\$ 42,278	\$ 42,278	\$ 0
State Sources	0	8,164	0	8,164
Federal Sources	11,700	11,700	11,700	0
	<u>78,455</u>	<u>62,142</u>	<u>\$ 53,978</u>	<u>\$ 8,164</u>
Expenditures				
Instructional Support Staff	<u>55,538</u>	<u>61,422</u>	<u>\$ 77,706</u>	<u>\$ (16,284)</u>
	<u>55,538</u>	<u>61,422</u>	<u>\$ 77,706</u>	<u>\$ (16,284)</u>
Receipts Over (Under) Expenditures	22,917	720		
Unencumbered Cash, Beginning	811	23,728		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 23,728</u>	<u>\$ 24,448</u>		

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)**

<u>Special Education Fund</u>	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources	\$26,901,971	\$28,784,645	\$29,888,613	\$ (1,103,968)
State Sources	3,056	4,006	0	4,006
Federal Sources	4,395,120	4,495,156	4,286,067	209,089
	<u>31,300,147</u>	<u>33,283,807</u>	<u>\$34,174,680</u>	<u>\$ (890,873)</u>
Expenditures				
Instruction	21,395,351	21,524,090	\$25,714,262	\$ (4,190,172)
Student Support Services	8,136,500	9,432,983	9,775,226	(342,243)
Instructional Support Staff	153,307	228,965	281,997	(53,032)
General Administration	1,440,849	1,460,532	1,747,095	(286,563)
Central Services	12,640	33,089	0	33,089
Operations & Maintenance	507,640	529,799	745,733	(215,934)
Student Transportation Services	258,232	326,615	304,680	21,935
Other Support Services	56,957	70,921	50,000	20,921
	<u>31,961,476</u>	<u>33,606,994</u>	<u>\$38,618,993</u>	<u>\$ (5,011,999)</u>
Receipts Over (Under) Expenditures	(661,329)	(323,187)		
Unencumbered Cash, Beginning	5,105,141	4,443,812		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 4,443,812</u>	<u>\$ 4,120,625</u>		

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)**

<u>Special Donation Fund</u>		
	Prior Year	Current Year
	<u>Actual</u>	<u>Actual</u>
Cash Receipts		
Local Sources	\$ 750	\$ 0
	<u>750</u>	<u>0</u>
Expenditures		
Instruction	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	750	0
Unencumbered Cash, Beginning	2,558	3,308
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 3,308</u>	<u>\$ 3,308</u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)**

<u>ILC Activity Fund</u>			
		Prior Year	Current Year
		Actual	Actual
Cash Receipts			
Local Sources		\$ 451	\$ 1,001
		<u>451</u>	<u>1,001</u>
Expenditures			
Instruction		<u>734</u>	<u>480</u>
		<u>734</u>	<u>480</u>
Receipts Over (Under) Expenditures		(283)	521
Unencumbered Cash, Beginning		797	514
Prior Year Canceled Encumbrances		<u>0</u>	<u>0</u>
Unencumbered Cash, Ending		<u><u>\$ 514</u></u>	<u><u>\$ 1,035</u></u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)**

<u>Trans-Net Activity Fund</u>		
	Prior Year	Current Year
	Actual	Actual
Cash Receipts		
Local Sources	\$ 80	\$ 2
	<u>80</u>	<u>2</u>
Expenditures		
Instruction	<u>392</u>	<u>677</u>
	<u>392</u>	<u>677</u>
Receipts Over (Under) Expenditures	(312)	(675)
Unencumbered Cash, Beginning	987	675
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 675</u>	<u>\$ 0</u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018**

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Dependent Care Reimb.	\$ 8,023	\$ 49,539	\$ 43,334	\$ 14,228
Medical Reimbursement	65,653	208,772	193,454	80,971
Para Health Insurance	117,933	142,161	112,146	147,948
	<u>\$ 191,609</u>	<u>\$ 400,472</u>	<u>\$ 348,934</u>	<u>\$ 243,147</u>

FEDERAL AWARD INFORMATION



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Sedgwick County Area Educational Services Interlocal Cooperative
Goddard, Kansas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of and for the year ended **June 30, 2018**, and the related notes to the financial statement, which collectively comprise **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** basic financial statement, and have issued our report thereon dated November 5, 2018. In our report, our opinion on the financial statement was unmodified based on the prescribed basis of accounting that demonstrates compliance with the *Kansas Municipal Audit and Accounting Guide* which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** internal control. Accordingly, we do not express an opinion on the effectiveness of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Sedgwick County Area Educational Services Interlocal Cooperative

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
November 5, 2018



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Directors

**Sedgwick County Area Educational Services Interlocal Cooperative
Goddard, Kansas**

Report on Compliance for Each Major Federal Program

We have audited the compliance of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** major federal programs for the year ended **June 30, 2018**. **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** major federal financial programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *Kansas Municipal Audit and Accounting Guide*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** compliance.

Board of Directors
Sedgwick County Area Educational Services Interlocal Cooperative

Opinion on Each Major Federal Program

In our opinion, **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended **June 30, 2018**.

Report on Internal Control Over Compliance

Management of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
November 5, 2018

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Grant Title	Federal CFDA No.	Program Amount	Unencumbered Cash 7-1-17	Receipts	Expenditures	Unencumbered Cash 6-30-18
<u>(Passes Through Kansas Department of Education)</u>						
Department of Education						
Special Education Cluster (IDEA)-Cluster						
Special Education Grants to States	84.027	\$ 3,701,388	\$ 0	\$ 3,701,388	\$ 3,701,388	\$ 0
Special Education Preschool Grants	84.173	76,592	0	76,592	76,592	0
		<u>3,777,980</u>	<u>0</u>	<u>3,777,980</u>	<u>3,777,980</u>	<u>0</u>
<u>(Passes Through Kansas Department of Social and Rehabilitation Services)</u>						
Department of Health and Human Services						
Medical Assistance Program	93.778	<u>728,876</u>	<u>0</u>	<u>728,876</u>	<u>728,876</u>	<u>0</u>
 Total Expenditures of Federal Awards		<u>\$ 4,506,856</u>	<u>\$ 0</u>	<u>\$ 4,506,856</u>	<u>\$ 4,506,856</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this schedule.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, and is prepared on the basis of accounting as described in Note 1 of the notes to the financial statement. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Indirect Cost Rate:

The Cooperative has elected not to use the 10% de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statement of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**.
2. No significant deficiencies or material weaknesses were reported in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, were disclosed during the audit.
4. No significant deficiencies or material weakness were reported in the Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award programs for **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, expresses an unmodified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**.
7. The programs tested as major programs were:

Special Education Cluster (IDEA)-Cluster	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, was determined not to be a low-risk auditee.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

There are no prior audit findings.